

Current Trends in Patent Litigation: A Report From The Front Lines

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Pre-filing Considerations For Patent Holders

- Risk of declaratory judgment suit post-*MedImmune*.
- Adequacy of pre-filing investigation.

Licensing Activity May Create DJ Jurisdiction

- *SanDisk Corp. v. ST Microelectronics, Inc.*,
480 F.3d 1372 (Fed. Cir. 2007)

“Where a patentee asserts rights under a patent based on certain identified ongoing or planned activity of another party, and where that party contends that it has the right to engage in the accused activity without license,” the non-patentee may seek a declaratory judgment).

Ability To Control Patents That Will Be In Play

- *Teva v. Novartis*, 482 F.2d 1330 (Fed. Cir. 2007)
 - Generic drug manufacturer able to seek declaratory judgment on five patents that had not been asserted by Novartis.
 - Interest in avoiding multiple infringement actions.

Cannot Rely On Filing Affirmative Action

- *Micron Tech, Inc. v. Mosaid Techs, Inc.*, 518 F.3d 897 (Fed. Cir. 2008)
 - Micron filed suit in N.D. Cal. one day before Mosaid used in ED Tex. District court held that there was no jurisdiction (pre-*MedImmune*).
 - Federal Circuit reversed. Threatening letters and public statements sufficed for jurisdiction; correct analysis was 1404(a) transfer motion, and would be abuse of discretion to transfer action to Texas.

Determining Where To File: Multi-Factor Analysis

- How must your claims be construed?
 - Broad scope of the plain claim language.
 - Specification / file history constrains scope.
- How familiar is the forum with patent issues?
 - Existence of patent local rules.
 - Track record with patent trials.
- What is your goal?
 - Injunction / damages / invalidate / settlement.
- *eBay* has tended to drive litigants toward the ITC.
 - *Kyocera* may tend to drive them away.
- What is the time to trial?

Determining Where To File: Judicial Statistics

Court	Total No. of Cases	No. of Cases Tried	Median Time Interval	IP Cases Commenced	Patent Cases Commenced
D.Del.	609	29 (4.7%)	30.3	176	157
N.D.Cal.	4,205	55 (1.3%)	23.3	529	159
E.D.Tex.	1,630	42 (2.5%)	19.2	408	359
C.D.Cal.	8,560	177 (2.1%)	18.4	1,564	334
ITC – 337	32	13 (40%)	17.7	32	32
W.D.Wisc.	507	14 (2.7%)	8.3	73	42

Sources: Judicial Business of the United States Courts, 2007 Annual Report; United States International Trade Commission, Electronic Document Information System (EDIS) Section 337 Investigational History.

Effect Of Covenant Not To Sue As To Some Or All Claims

- *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054 (Fed. Cir. 1995) (unconditional and irrevocable covenant not to sue deprives court of jurisdiction)
- *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340 (Fed. Cir. 2005) (covenant not to sue after jury had decided patent not valid and not infringed had no force)
- *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340 (Fed. Cir. 2007) (reaffirming central holding of *Super Sack* post-*MedImmune*)
- *Caraco Pharmaceutical Laboratories Ltd v. Forest Laboratories, Inc.*, 2008 U.S. App. LEXIS 6838 (Fed. Cir. 2008) (Generic drug manufacturer had standing to sue notwithstanding covenant not to sue because Caraco was not the first ANDA filer and thus could effectively be blocked from the market by failure to trigger first-filer's exclusivity)

Effect Of Covenant Not To Sue As To Some Or All Claims

- *Jervis B. Webb Co. v. S Sys., Inc.*, 742 F.2d 1388, 1399 (Fed. Cir. 1984) (subject matter jurisdiction is evaluated on a claim by claim basis)
- *Lear Auto Dearborn, Inc. v. Johnson Controls, Inc.*, 2007 U.S. Dist. LEXIS 81479 (E.D. Mich. Nov. 2, 2007) (covenant not to sue as to fewer than all claims not effective where patentee initially asserts all claims of a patent but is effective where fewer than all claims were originally asserted)
- *MedImmune v. Genentech*, 535 F. Supp. 2d 1000 (C.D. Cal. 2008) (covenant as to fewer than all claims effective to deprive court of jurisdiction after Markman but before summary judgment)

Considerations For Defendants Upon Service

- Transfer of Venue
 - *In re Volkswagen of America, Inc.* (5th Cir. Oct. 10, 2008) (en banc)
“Concluding that the district court gave undue weight to the plaintiffs’ choice of venue [Marshall, TX], ignored our precedents, misapplied the law, and misapprehended the facts, we hold that the district court reached a patently erroneous result and clearly abused its discretion in denying the transfer.”
 - *Motorola, Inc. v. Research in Motion* (E.D.Tex. Oct. 17, 2008) (Ward, J.) (granting motion to transfer).
- Re-examination
 - Increased likelihood of success following *KSR* (we’ll come back to the PTO’s new obviousness guidelines).
 - Availability of stay pending outcome. See *Premier Intern. Associates LLC v. Hewlett-Packard Co.* (E.D.Tex. 2008) (Folsom, J., granting stay).

Claim Analysis: § 101 Patentable Subject Matter

In re Bilski (Fed. Cir. Oct. 30, 2008)

- Address patentability of claim to “method for managing the consumption of risk costs of a commodity sold by a commodity provider at a fixed cost...”
- Clarifies the standards applicable to determining whether a claimed method constitutes a statutory “process” under § 101.
 - A process is not patentable if it claims a “fundamental principle” – e.g., “laws of nature, natural phenomena, [or] abstract ideas”, or mathematical algorithms.
 - Recognizes “a distinction between those claims that ‘seek to pre-empt the use of’ a fundamental principle, on the one hand, and claims that seek only to foreclose others from using a particular ‘application’ of that fundamental principle, on the other.”

Claim Analysis: § 101 Patentable Subject Matter

In re Bilski (Fed. Cir. Oct. 30, 2008) (cont'd)

- Adopts “machine-or-transformation” test to tell the difference.
 - “A claimed process is surely patent-eligible under § 101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing.”
 - Mere “field-of-use” limitations “are generally insufficient to render an otherwise ineligible process claim patent-eligible.”
 - What constitutes an “article” for purposes of “transformation”?
 - “Purported transformations or manipulations simply of public or private legal obligations or relationships, business risks, or other such abstractions cannot meet the test because they are not physical objects or substances, and they are not representative of physical objects or substances.”

Claim Analysis: Divided Infringement

- *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007) – typical network claim.
 - Claim 6 recited a “method of paying bills using a telecommunications network” requiring steps by actors including:
 - “at least one remote payment card network”;
 - “a payee’s agent’s system”; and
 - “a caller”

Claim Analysis: Divided Infringement

- *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007) (cont'd).
 - “This case presents the issue of the proper standard for joint infringement by multiple parties of a single claim.”
 - “Direct infringement is a strict-liability offense, but it is limited to those who practice each and every element of the claimed invention.”
 - “BMC chose instead to have four different parties perform different acts within one claim.”
 - “[E]xpanding the rules governing direct infringement to reach independent conduct of multiple actors would subvert the statutory scheme for indirect infringement.”

Claim Analysis: Divided Infringement

- *MuniAuction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008) – typical business method claim.
 - Claims to conducting “original issuer municipal bond auctions” with steps by an auctioneer’s system, an “issuer’s computer” and a “bidder’s computer.”
 - “[W]here the actions of multiple parties combine to perform every step of a claimed method, the claim is directly infringed only if one party exercises ‘control or direction’ over the entire process such that every step is attributable to the controlling party, i.e., the ‘mastermind.’”
 - “At the other end of this multi-party spectrum, mere ‘arms-length cooperation’ will not give rise to direct infringement by any party.”
 - “In this case, Thomson neither performs every step of the claimed methods nor had another party perform steps on its behalf, and Muniauction has identified no legal theory under which Thomson might be vicariously liable for the actions of the bidders.”

Claim Analysis: Inducement / Willfulness

- *DSU Medical Corp. v. JMS Co.*, 471 F.3d 1293 (Fed. Cir. 2006)
 - “Clarifie[d]” the intent requirement for induced infringement.
 - The Court’s en banc articulation of the standard:

“[T]he intent requirement for inducement requires more than just intent to cause the acts that produce direct infringement. Beyond that threshold knowledge, the inducer must have an **affirmative intent to cause** direct infringement.”

“[I]nducement requires ‘that the alleged infringer knowingly induced infringement and possessed **specific intent to encourage** another’s infringement.’”
 - The jury instruction the court upheld as “correct”:

“The defendant must have intended to cause the acts that constitute the direct infringement and must have known or **should have known** than [sic] its actions would cause the direct infringement.”

Claim Analysis: Inducement / Willfulness

- *In re Seagate Technology LLC*, 497 F.3d 1360 (Fed. Cir. 2007)
 - Overruled the “affirmative duty to exercise due care” standard for willful infringement from *Underwater Devices*.
 - Held: “proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness.”
 - Is *DSU*’s “specific intent to encourage” a higher threshold than *Seagate*’s “objective recklessness”?
 - In other words, even if I prove by clear and convincing evidence that defendant *willfully* infringed my patent, could I still have failed to prove inducement?

Claim Analysis: Inducement / Willfulness

- *Broadcom Corp. v. Qualcomm, Inc.*, 543 F.3d 683 (Fed. Cir. Sept. 24, 2008)
 - That was the essence of Qualcomm’s recent argument to the Federal Circuit:

“Qualcomm contends that because in *Seagate* we ‘abandon[ed] the affirmative duty of care’ to avoid infringement and ‘reemphasize[d] that there is no affirmative obligation to obtain an opinion of counsel,’ 497 F.3d at 1371, and because ***specific intent is a stricter standard than the ‘objective recklessness’*** standard adopted in *Seagate*, evidence not probative of willful infringement cannot be probative of specific intent to induce infringement.”

Claim Analysis: Inducement / Willfulness

- *Broadcom Corp. v. Qualcomm, Inc.*, 543 F.3d 683 (Fed. Cir. Sept. 24, 2008) (cont'd)
 - The Federal Circuit’s response: “We disagree.”
 - “Despite Qualcomm’s assertion that the intent standard for inducement is higher than that for willful infringement, a lack of culpability for willful infringement does not compel a finding of non-infringement under an inducement theory.”
 - So:
 - Can if I demonstrate that I have *not* been “objectively reckless” (i.e., I have been objectively reasonable) with respect to a risk of infringement, could I nonetheless be found to have the “specific intent to encourage another’s infringement”?

Claim Analysis: Inducement / Willfulness

- *Broadcom Corp. v. Qualcomm, Inc.*, 543 F.3d 683 (Fed. Cir. Sept. 24, 2008) (cont'd)
 - Or is it that the minimum intent threshold for both willfulness and inducement really just recklessness:

- *Seagate's* definition of “recklessness”:

The patentee must “demonstrate that this objectively-defined risk ... was either known or so obvious that it ***should have been known*** to the accused infringer.”

- *Broadcom's* articulation of the intent required by *DSU*:

“[T]his intent may be established where an alleged infringer who ‘knew or ***should have known*** his actions would induce actual infringements,’ is shown to have induced infringing acts thorough his actions.”

Claim Analysis: Inducement / Willfulness

- *Broadcom Corp. v. Qualcomm, Inc.*, 543 F.3d 683 (Fed. Cir. Sept. 24, 2008) (cont'd)
 - Or is the difference in the standard of proof:
 - *Seagate's* “objective recklessness” must be demonstrated by “clear and convincing evidence” to procure a willfulness finding.
 - » Lower standard / higher burden
 - *DSU's* “specific intent to encourage another’s infringement” need only be shown by a preponderance of the evidence to demonstrate infringement.
 - » Higher standard / lower burden

Obviousness vs. Section 112

§ 103

- Unpredictability in the art supports validity by making it less likely that the invention was reasonably likely to succeed
- Combining familiar elements according to known methods undercuts validity
- A lower level of 'ordinary skill in the art' helps the patentee by making it less likely that the invention would be obvious

§ 112

- Unpredictability in the art undercuts validity because it makes it less likely that the specification enables the full scope of the invention
- Combining familiar elements supports validity because the patentee can rely on the prior art to show that the full scope of the claim is enabled
- A higher level of 'ordinary skill in the art' helps the patentee

Obviousness Revitalized: *KSR Int'l Co. v. Teleflex, Inc.*, 127 S.Ct. 1727 (2007)

- “The combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results.”
 - The Court cited four “errors” with Federal Circuit’s “teaching, suggestion, motivation” to combine test:
 - (1) Relevant reasons to combine are not limited to the problem the patentee was trying to solve.

“Under the correct analysis, any need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed.”
 - (2) The elements of the prior art being combined need not solve the same problem as the patent.

“Common sense teaches ... that familiar items may have obvious uses beyond their primary purposes, and in many cases a person of ordinary skill will be able to fit the teachings of multiple patents together like pieces of a puzzle.”

KSR Int'l Co. v. Teleflex, Inc., 127 S.Ct. 1727 (2007)

- “The combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results.”
 - The Court cited four “errors” with Federal Circuit’s “teaching, suggestion, motivation” to combine test:
 - (3) A claim may be proved obvious by showing it was “obvious to try.”

“When there is a design need or market pressure to solve a problem and there are a finite number of identified, predictable solutions, a person of ordinary skill has good reason to pursue the known options within his or her technical grasp.”
 - (4) While caution against hindsight bias is appropriate, “[r]igid preventative rules that deny factfinders recourse to common sense ... are neither necessary under our case law nor consistent with it.”
- How has this translated into practice?

PTO Examination Guidelines re Obviousness

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Seven potential rationales for a finding of obviousness:

- (A) Combining prior art elements according to known methods to yield predictable results;
- (B) Simple substitution of one known element for another to obtain predictable results;
- (C) Use of known technique to improve similar devices (methods, or products) in the same way;
- (D) Applying a known technique to a known device (method, or product) ready for improvement to yield predictable results;
- (E) “Obvious to try”—choosing from a finite number of identified, predictable solutions, with a reasonable expectation of success;
- (F) Known work in one field of endeavor may prompt variations of it for use in either the same field or a different one based on design incentives or other market forces if the variations would have been predictable to one of ordinary skill in the art;
- (G) Some teaching, suggestion, or motivation in the prior art that would have led one of ordinary skill to modify the prior art reference or to combine prior art reference teachings to arrive at the claimed invention.

LeapFrog Enterprises, Inc. v. Fisher-Price, Inc., 485 F.3d 1157 (Fed. Cir. 2007)

- Addressed obviousness of claims to “interactive learning device” for helping young children read phonetically.
- Patentee argued:
 - District Court “engaged in improper hindsight” in concluding all claim elements were known in the art.
 - There was no adequate motivation to combine the three references relied on below.
 - The components disclosed in one reference, Beven, were mechanical, and “thus different in structure and interrelation” from the claimed electronic components.
- The Federal Circuit rejected these arguments citing *KSR*:
 - “[W]e bear in mind that the goal of the claim 25 device was to allow a child to press a switch associated with a single letter in a word and hear the sound of the letter as it is used in that word. In this way, the child would both associate the sound of the letter with the letter itself and be able to sound out the word one letter at a time to read it phonetically. ***Accommodating a prior art mechanical device*** that accomplishes that goal to modern electronics would have been reasonably obvious to one of ordinary skill in designing children’s learning devices. ***Applying modern electronics to older mechanical devices has been commonplace for years.***”

LeapFrog Enterprises, Inc. v. Fisher-Price, Inc., 485 F.3d 1157 (Fed. Cir. 2007)

- Bevan + SSR reference (electronic toy) still lacked “reader” limitation of claim.
 - Court found “readers were well-known in the art” and “the reasons for adding a reader to the Bevan/SSR combination are the same as those for using readers in other children’s toys...”
- Critical of *patentee’s* failure to affirmatively disprove obviousness of adding a reader (wholly apart from secondary considerations):
 - “**Leapfrog** presents no evidence that the inclusion of a reader in this type of device was uniquely challenging or difficult for one of ordinary skill in the art. See *KSR*.”
 - “Nor does **Leapfrog** present any evidence that the inclusion of a device commonly used in the field of electronics (a reader), and even in the narrower art of electronic children’s toys, represented an unobvious step over the prior art.”
- What does this mean for a patentee’s burden of presentation at trial when obviousness is asserted?

Enablement Revitalized: *Liebel-Flarsheim Co. v. Medrad, Inc.*, 481 F.3d 1371 (Fed. Cir. 2007)

A series of Federal Circuit decisions post-*Phillips* have reinvigorated § 112.

- In a pre- *Phillips* appeal, the Federal Circuit construed method claims directed to an auto-injection technique. Held plain claim language did not require a “pressure jacket” in front of syringe opening.
 - Every disclosed embodiment required a “pressure jacket” to operate.
 - High water mark for *Texas Digital* approach to claim construction.
- Then *Phillips* was decided.
 - “As we stated in *Vitronics*, the specification ‘is always highly relevant to the claim construction analysis. Usually, it is dispositive; it is the single best guide to the meaning of a disputed term.’”

Liebel-Flarsheim Co. v. Medrad, Inc., 481 F.3d 1371 (Fed. Cir. 2007) (cont'd)

- Then *Liebel-Flarsheim* returned to the Federal Circuit.
 - Having itself construed the claims to cover systems both with and without pressure jackets, the Federal Circuit post-*Phillips* found the claims invalid for lack of an enabling “jacket-less” disclosure.
 - Examining the specification “first,” the Court found “that nowhere does the specification describe an injector with a disposable syringe without a pressure jacket,” but rather it “teaches away from a disposable syringe without a pressure jacket by stating that such syringes are ‘impractical.’”
 - The Court also relied on inventor testimony about what they had invented – citing testimony that “they tried unsuccessfully to produce a pressure-jacketless system....”

“The irony of this situation is that Liebel successfully pressed to have its claims include a jacketless system, but having won that battle, it then had to show that such a claim was fully enabled, a challenge it could not meet. The motto, “beware of what one asks for,” might be applicable here.”
- Since *Liebel-Flarsheim*, the Court has struck down claims under § 112, ¶ 1 more than a half-dozen times.

Monsanto Co. v. Syngenta Seeds, Inc.,
503 F.3d 1352 (Fed. Cir. 2007)

- The Federal Circuit construed the claim phrase “plant cells” to embrace both monocots and dicots (as well as other plants).
- It was undisputed that “those skilled in the art could not transform a monocot plant cell as of the filing date of the patent application.”
- Accordingly, claims that recited “plant cells” (which include monocot cells) were invalid as not enabled.

Automotive Technologies Int'l, Inc. v. BMW of N. America, Inc., 501 F.3d 1274 (Fed. Cir. 2007)

- ATI's claim scope included "both mechanical and electronic side impact sensors."
 - ATI argued that enabling mechanical sensors satisfied § 112.
 - The Federal Circuit held: "We addressed and rejected a similar argument in *Liebel-Flarsheim*...." "[I]n order to fulfill the enablement requirement, the specification must enable the full scope of the claims that includes both electronic and mechanical side impact sensors"
- However, unlike *Liebel*, ATI's specification disclosed "that an electronic sensor assembly can be used to sense side impacts" both in a figure and in text.
 - Moreover, ATI contended, "electronic sensors, albeit for sensing frontal impacts, were widely known at the time of filing and therefore there was no need for the specification to describe them in detail."
- The Federal Circuit nonetheless held the "one short paragraph and one figure that relate to an electronic sensor" not enabling because they represent only "a concept of an electronic sensor" and not the "details that would show one skilled in the art how to make or use an electronic side impact sensor."

Sitrack v. Dreamworks, 516 F.3d 993 (Fed Cir. 2008)

- Technology involved integrating a user's audio visual signal or visual image into a pre-existing video game or movie. The patents stated that they applied to any audiovisual source.
- "The full scope of the claimed invention must be enabled. . . . A patentee who chooses a broad claim language must make sure the broad claims are fully enabled."
- Defendants' experts testified that the analysis techniques described in the specifications for identifying character functions have no relevance to movies. Plaintiff's evidence on the issue was found "conclusory."
- The Federal Circuit affirmed the trial court's finding that the asserted claims were not enabled.

Carnegie Mellon Univ. v. Hoffman-LaRoche Inc., 541 F.3d 1115 (Fed. Cir. 2008)

- Written description requirement not met where claims at issue covered a “genus of recombinant plasmids that contain coding sequences for DNA polymerase ... from any bacterial source, [but] the narrow specifications of the [relevant patents] only disclose[d] the ... gene coding sequence from one bacterial source

In re Alonso, 2008-1079 (Fed. Cir. Oct. 30, 2008)

- Claim to “method of treating neurofibrosarcoma ... by administering an effective amount of a monoclonal antibody idiotypic to the neurofibrosarcoma of said human....”
- No written description for the genus of antibodies specific to neurofibrosarcoma cells because “the specification of the ‘749 Application does not characterize the antigens to which the monoclonal antibodies must bind; it discloses only the molecular weight of the one antigen....”
- “The specification teaches nothing about the structure, epitope characterization, binding affinity, specificity, or pharmacological properties common to the large family of antibodies implicated by the method.”

Who Tries What, How and When

- Obviousness
- Enablement
- Inventorship
- Inequitable conduct

Northern District of California Model Verdict Form

[Alternative 1 – Jury decides underlying factual issues only]

11. The ultimate legal conclusion on the obviousness question will be made by the court. However, in order for the court to do so, you must answer the following preliminary factual questions:

a. What was the level of ordinary skill in the field that someone would have had at the time the claimed invention was made? (check the applicable answer)

_____ set forth Alleged Infringer's contention, e.g., an individual with at least 3 years of experience in both furniture design and manufacture]

_____ [set forth Patent Holder's contention, e.g., anyone who has worked in the field of furniture design or manufacture for at least two years]

[Alternative 1 – Jury decides underlying factual issues only]

b. What was the scope and content of the prior art at the time of the claimed invention? (check the applicable answer)

_____ [set forth what the Alleged Infringer has offered as the invalidating prior art, e.g., '123 patent on fixed sitting device with four legs, general knowledge in field of industrial design that a horizontal surface may be held parallel to the ground using three legs and common knowledge that a person can easily move an object weighing under 25 pounds]

_____ [set forth what the Patent Holder asserts was within the scope and content of the prior art, e.g., '123 patent on fixed sitting device with four legs]

_____ [other, specify]

[Alternative 1 – Jury decides underlying factual issues only]

c. What difference, if any, existed between the claimed invention and the prior art at the time of the claimed invention?

_____ [set forth the Alleged Infringer's contention as to the difference, e.g., no difference between scope of invention and what is known in prior art]

_____ [set forth the Patent Holder's contention as to the difference, e.g., only 3 legs on a sitting device and portability]

_____ [other, specify]

[Alternative 1 – Jury decides underlying factual issues only]

d. Which of the following factors **has been established by the evidence** with respect to the claimed invention:

_____ commercial success of a product due to the merits of the claimed invention

_____ a long felt need for the solution that is provided by the claimed invention

_____ unsuccessful attempts by others to find the solution that is provided by the claimed invention

_____ copying of the claimed invention by others

_____ unexpected and superior results from the claimed invention

_____ acceptance by others of the claimed invention as shown by praise from others in the field or from the licensing of the claimed invention

_____ independent invention of the claimed invention by others before or at about the same time as the named inventor thought of it

[Alternative 2 - Jury decides underlying factual issues and renders advisory verdict on obviousness]

After consideration of the answers to the preliminary questions above, do you find that the Alleged Infringer has proven that it is **highly probable** that the claim of Patent Holder's patent would have been obvious to a person of ordinary skill in the field at the time the patent application was filed?

Yes _____

No _____

Enablement

Has alleged infringer proven that it is highly probable that the specification of the patent holder's patent does not contain a description of the claimed invention that is sufficiently full and clear to enable persons of ordinary skill in the field to make and use the invention?

Yes_____

No_____

Timing of Inequitable Conduct

Agfa Corp v. Creo Prods., 451 F.3d 1366 (Fed. Cir. 2006)

- Held: court has discretion to hear inequitable conduct first, before validity.
 - If court finds patent unenforceable, no 7th Amendment violation because court's conclusion that prior art should have been disclosed not inconsistent with potential jury determination that prior art was not sufficiently material to invalidate claims
 - If court finds patent enforceable because prior art not material, inconsistent with later jury determination that withheld art invalidates claims.

Shum v. Intel Corp., 499 F.3d 1272 (Fed. Cir. 2007)

- *Beacon Theaters* – right to a jury trial right cannot be lost due to timing considerations.
- *Shum* – inventorship issue could not be tried before state law fraud claims.

Remedies available

- Injunction
- Compulsory license
- Enhanced damages

Injunctions And The Non-Practicing Rights Holder

Paice LLC v. Toyota Motor Corp., 504 F.3d 1293 (Fed. Cir. 2007)

- After jury verdict of infringement in E.D.Tex., Judge Folsom denied Paice's motion for permanent injunction under *eBay* test.
 - Instead, *sua sponte* imposed an ongoing royalty that permitted Toyota to continue manufacturing infringing product.
 - Paice appealed, contending that district court lacked authority to order compulsory license.

Injunctions And The Non-Practicing Rights Holder

Paice LLC v. Toyota Motor Corp., 504 F.3d 1293 (Fed. Cir. 2007)

- The Federal Circuit upheld authority of district courts to order payment of ongoing royalties, which it distinguished from a compulsory license.
 - However, it stated: “[W]here ... a permanent injunction is not warranted, the district court may wish to allow the parties to negotiate a license amongst themselves regarding future use ... before imposing an ongoing royalty.”
 - Because the district court had not provided reasoning to support the selected ongoing rate, Federal Circuit vacated and remanded for re-evaluation of ongoing royalty rate.

Implications of *eBay* and *Paice*

- May alter risk analysis, especially in the context of assertions by non-practicing patentees.
 - Injunction vs. court-ordered royalties.
- However:
 - Supreme Court has rejected bright-line “troll rule.”
 - Court-ordered royalties may exceed what can be negotiated.

Amado v. Microsoft Corp., 517 F.3d 1353 (Fed Cir. 2008)

- *Amdao* sued for infringement; awarded reasonable royalty of 4 cents a unit
- After *eBay*, district court dissolved injunction and awarded compulsory license at 12 cents a unit
- Both sides appealed
- Federal Circuit remanded for further analysis, noting that correct award would be between the 4 cents urged by defendants and the \$2 requested by plaintiffs